

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6517

BILL NUMBER: HB 1126

NOTE PREPARED: Dec 7, 2006

BILL AMENDED:

SUBJECT: Cost-Benefit Analysis of Outsourcing.

FIRST AUTHOR: Rep. Stilwell

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires a state agency to do a cost-benefit analysis before entering into a contract for services. The bill also requires the Department of Administration to compile semiannual reports on the cost-benefit analysis for each contract.

Effective Date: Upon passage.

Explanation of State Expenditures: Under current law, a state agency must justify the cost effectiveness of a contract for service to the Commissioner of the Department of Administration. The bill requires a cost-benefit analysis be prepared and submitted to the Commissioner of the Department of Administration and the Legislative Council and available to the public at least 90 days before the effective date of contract. Preparing a cost-benefit analysis would have indeterminate but minimally increased cost for agencies entering into a contract for services. The resources required to perform a cost-benefit analysis depend upon the expertise needed to develop cost information. Additionally, the Department of Administration could incur minimal costs to compile semiannual reports on the cost-benefit analyses. The bill specifies that the Commissioner of the Department of Administration is not required to file the first report until February 1, 2008.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; State agencies entering into contracts for services.

Local Agencies Affected:

Information Sources:

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